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C O N F I D E N T I A L SECTION 01 OF 02 VILNIUS 001198

SIPDIS

STATE FOR EUR/NB

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SUBJECT: A SETBACK FOR LITHUANIA'S PM, A BOOST FOR USPASKICH

REF: VILNIUS 1190

Classified By: Pol/Econ Officer Gregory L. Bernsteen for reasons 1.4(b)
and (d)

SUMMARY

¶11. (C) The Parliament narrowly voted November 8 to begin investigation of Prime Minister Brazauskas and his family's business interests, despite ostensible ruling coalition support for defeating the measure. An opposition solidly united behind the Conservatives and the refusal of several coalition MPs to vote allowed the unexpected outcome. A final vote on the proposal will occur November 10, when the coalition leaders will pull out all the stops to prevent the formation of an ad-hoc commission to conduct the investigation. Tension inside the ruling coalition continues, as Labor Party leader Viktor Uspaskich subtly works behind the scenes to undermine Brazauskas's authority, even as he pledges his public support. END SUMMARY.

A surprising reversal for the PM

¶12. (U) The Parliament voted November 8 to establish a commission to investigate Brazauskas's wife and her ownership of Vilnius's Crowne Plaza hotel. The opposition Conservative party has alleged that Mrs. Brazauskas received a sweetheart deal from a company connected to Russian oil company Lukoil Baltija in connection with her purchase of the hotel (reftel). The Parliamentary opposition, in a rare show of cross-faction unity, voted en masse for the resolution, with no abstentions. Coalition members, in accordance with the ruling council agreement reached last week, voted against the resolution or abstained. The Conservative-supported measure won by a simple majority of only one vote -- 54 for, 27 against, and 26 abstentions.

Uspaskich flexes his muscles - again

¶13. (C) Sixteen of the Labor Party's 39 MPs refused to register their presence in the Parliamentary chamber or quietly left just before Parliament began debate on the proposal. If just one of these Labor members had voted (or even abstained), the coalition would have defeated the measure. Labor MP Vladimir Orechov confirmed to us that their actions were part of Labor's strategy -- a demonstration of the Social Dem's (and Brazauskas's) dependence on Labor to get things done. Orechov commented that Uspaskich and Brazauskas were meeting today, and that Uspaskich would likely use his leverage to improve his party's position within the coalition.

It's not over yet

¶14. (C) The Conservatives won the first vote, but there will be a second vote on November 10 to confirm the final text. The coalition has another chance to mobilize its solid majority to defeat the measure. The Conservatives are pessimistic about their chances to prevail in this final vote. Rasa Jukneviciene, Conservative MP, told us that the "majority will kill the commission, even if they have to violate the law to do it." She predicted a party-line vote. The media is already reporting that the coalition is marshalling its forces, including calling back MPs currently traveling abroad.

¶15. (C) Coalition MPs from several parties privately said that the Social Dem's will do what it takes to prevail during the second vote. Algirdas Paleckis, Social Dem MP, told us that their goal is to have enough MPs to ensure a majority even if some of the Labor MPs refuse to back Brazauskas.

Next steps

16. (U) Chances are slim that Brazauskas will follow through immediately on his threat to resign, even if the Conservatives manage to find a majority in the November 10 vote. The Social Dems have said they would file appeals to the Ethics Commission and the Constitutional Court in an attempt to overturn the vote on technical grounds.

17. (U) The Conservatives still believe that the petition they submitted with the signatures of more than 40 MPs should have established the commission without a vote. If the Conservatives lose the second vote, they will try to appeal to the Constitutional Court as well, but are unsure of their chances for success.

COMMENT

18. (C) The Conservatives have succeeded beyond their own expectations, but will have a tough time in the second round if coalition discipline holds. Win or lose, they have both weakened Brazauskas and achieved their goal of making it more difficult for Lukoil to purchase the Mazeikiu Nafta oil refinery. However, they have also put wind in the sails of Uspaskich, who may demand that the Social Dems cede control of a ministry or two to Labor in return for Labor's support.

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